



County of Fairfax, Virginia

MEMORANDUM

DATE: APR 30 2013
TO: Board of Supervisors
FROM: Edward L. Long Jr., County Executive
SUBJECT: Sequester Watch Update

The Department of Management and Budget, along with the County's Government Relations and agency staff, has created a process to monitor the impact of federal sequestration on our community. Sequestration, launched earlier this year, is a multi-year response to the inability of the federal government to approve a budget. We are just beginning to see a small glimpse into what likely will be continuous notification of reductions to federal programs and grants. The County's response to these programs and grants affected early in the sequestration timeline will likely set the precedence for future decisions.

Fairfax County has for years benefited from its proximity to the federal government. However, the prolonged uncertainty over sequestration has been a weight on business investment, hiring, income growth and overall economic activity this past year and will likely continue to impact the County's economy in the coming months. The economic impact of thousands of residents both earning and spending less due to the sequester-related furloughs would have ripple effects on the County's revenues as these residents pare expenses, put off car purchases and delay buying a home. Staff will continue to monitor revenue monthly and will report to the Board with any necessary changes based on economic factors resulting from sequestration.

Early indications from County agencies, as well as publicly broadcast media, point to an evolving sequestration process. There have been no observable patterns of reductions as each federal agency is making individual decisions about how to meet the reduced funding levels, and many federal agencies are revisiting their initial sequestration plans. This has made the impact analysis more of an art than a science.

Data Gathering

The information collected to-date was provided by thirteen County agencies, related to almost 30 programs. By far, the vast majority of the programs linked to possible sequestration related reductions are in the federal/state grant area and most impacts are not likely to be realized until FY 2014.

In terms of measurable funding impact, current data suggests that if all the speculative expenditure and revenue reductions are implemented the impact to the County could be a loss in the range of \$4 - \$4.5 million. We are attempting to address any grant reductions through other resources and/or they are within the normal fluctuation of grant funding; however, there may be some instances that additional General Fund dollars are needed to sustain a program at the current service level, if desired.

It should be noted that staff have also found instances of sequestration reductions being offset (partially or wholly) by the March 2013 federal continuing resolution, resulting in essentially eliminating a portion of the sequestration reduction. The sequestration impact cannot be isolated. The programs affected by this type of action effectively have a net impact from the combination of negative sequestration action and positive continuing resolution action. For example, the U.S. Department of Agriculture (USDA), through the Virginia Department of Health provides Women, Infants, and Children (WIC) grant funding to the County. USDA announced a 5 percent sequestration reduction; the continuing resolution provided an increase of 6 percent, as well as a separate 2 percent reduction. The sum of these actions nets to a reduction in WIC funds of 1 percent.

At a summary level, the attached chart provides further detail on the County programs linked to sequestration as reported by County agencies.

Fairfax County Public Schools

FCPS staff is working to gather sequestration information affecting local education. We have asked that they provide County staff details of the programmatic and impact data they have collected. To date, they have indicated that before sequestration became effective, it was estimated there would be an 8 percent reduction in spending. More recent estimates indicate that there will be a 5 percent reduction instead. A 5 percent across the board reduction would result in a loss to the School Operating Fund of \$2.1 million in IDEA (special education), IDEA preschool, Impact Aid, E-Rate, and Perkins (the professional technical education grant funding). In addition, the Grants and Self-Supporting Fund could lose \$1.7 million in federal funding (primarily Title I). FCPS has verified there is a possibility of losing some Impact Aid in FY 2013, but has heard nothing further.

Actions To-Date

As a consequence of federal direct or pass-thru funding reductions, the County may want to take action to mitigate the impact on programs and services. This action will vary, but service reductions could have a tangible impact to County residents. For example, as noted above, as a result of reductions in the federal Housing Choice Voucher (HCV) program, formerly known as the Section 8 Program, the County suspended new leasing in the program effective April 1, 2013. In addition, households who would have been served coming out of homelessness or off the County's waiting lists will not receive assistance as vouchers normally made available through program attrition will not be able to be reissued in 2013, which may have broader implications for the County's Housing Blueprint goals and timeline. Further programmatic changes may need to be made to help ensure the long-term sustainability of the program, and the Board of

Supervisors will be fully advised at the May 7, 2013 Board of Supervisors' Housing Committee meeting, as well as when further information becomes available from the FCRHA and HUD.

Potential Indirect Impacts

In addition to the risk of fewer federal dollars in the County's budget, any layoffs in the federal government and federally-dependent industries such as federal contractors could increase the demand for social services by County residents and put further pressure on the County's budget. Reductions in federal social services expenditures, coupled with increased demand for services, would require the County to reevaluate programs and make necessary funding adjustments.

Next Steps

Consistent with the Board's direction, staff will be returning with guidelines for the Board to consider regarding allocating funds from the sequestration reserve. As you are aware, the reserve was designed as a result of automatic, across-the-board cuts to federal government agencies over 10 years. It is one time funding to be used as a stop gap measure until permanent funding and programmatic decisions can be made by the Board of Supervisors during the annual budget process or at quarterly reviews. We will continue to gather the latest sequestration information from our contacts at the federal and state level, and provide another update when we have additional substantial information.

Attachment

cc: Susan W. Datta, Director, Department of Management and Budget and Chief Financial Officer
Patricia D. Harrison, Deputy County Executive
David J. Molchany, Deputy County Executive
David M. Rohrer, Deputy County Executive
Robert A. Stalzer, Deputy County Executive
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REVISED

#	County Agency	Program Description and Potential County Impact	Potential County Fiscal Impact	When Potential Impact to County Starts
1	Department of Housing and Community Development (HCD)	<p>The anticipated Calendar Year (CY) 2013 Department of Housing and Urban Development (HUD) cut to the Housing Choice Voucher (HCV) program in both Housing Assistance Payment (HAP) renewal funding and administrative fees earned equates to an estimated \$2.2 million cut in HAP and \$300,000 in administrative fees. The HCV program serves Fairfax County's most at-risk residents (e.g., people with disabilities, the homeless, seniors, working poor) by providing a monthly rental housing assistance for eligible households, and earning administrative fees to support agency management of the program.</p> <p>A reduction in funding impacts the agency's ability to fully utilize the 3,537 authorized vouchers, which translates to fewer households served, and may have broader implications for the County's Housing Blueprint goals and timeline. HCD suspended new leasing in the program effective April 1, 2013; those households who had been awarded vouchers but had not yet leased had their vouchers suspended. For the rest of CY 2013, households who would have been served coming out of homelessness or off the County's waiting lists will not receive assistance as vouchers normally made available through program attrition will not be able to be reissued. In addition, other programmatic changes may need to be made to help ensure the long-term sustainability of the program, and the Board of Supervisors will be fully advised at the May 7, 2013 Board of Supervisors' Housing Committee meeting, as well as when further information becomes available from the Fairfax County Redevelopment and Housing Authority (FCRHA) and HUD.</p>	(\$2,500,000)	FY 2013
2	Fire and Rescue (FRD)	Medicare provider payments were cut by 2 percent beginning April 1, 2013. As a result, General Fund revenue from the County's Emergency Medical Services (EMS) Transport fee could be reduced by an estimated \$145,000.	(\$145,000)	FY 2013
3	Department of Family Services (DFS)	Anticipated 5 percent reduction to the Community Services Block Grant (CSBG) results in an estimated annual loss of General Fund revenue of \$28,000. However, given the longstanding agreement that increases and decreases in CSBG funding will not impact the overall funding level for the Consolidated Community Funding Pool (CCFP), it is anticipated that this decrease will not have an adverse funding impact on CCFP.	(\$28,000)	FY 2013
4	Fairfax-Falls Church Community Services Board (CSB)	<p>Grant funding is provided by the U.S. Office of National Drug Control Policy for residential and day treatment medical detoxification services. The program seeks to reduce the incidence and prevalence of alcohol and drug abuse by providing prevention, treatment, and rehabilitation. An anticipated 2.75 percent reduction of approximately \$11,275 is anticipated effective immediately.</p> <p>This reduction would impact the number of beds available at the Crossroads and Phoenix House residential programs; however, the anticipated decrease in funding is within the expected margin of year-to-year grant funding fluctuation.</p>	(\$11,275)	FY 2013

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5	Office of Human Rights and Equity Programs (OHREP)	The U.S. Equal Employment Opportunity Commission (EEOC) provides grant funding to the OHREP for completed investigations of complaints of employment discrimination throughout Fairfax County. Funding currently supports 2/1.9 FTE grant positions. While the EEOC has announced a 5 percent reduction to their budget due to sequestration, the EEOC is obligated to reimburse the County for the number of investigations completed so there should be no impact to the County.	NA	FY 2013
6	OHREP	The U.S. Department of Housing and Urban Development (HUD) provides grant funding to the OHREP for completed investigations of complaints of housing discrimination throughout Fairfax County. These funds also support education and outreach efforts on fair housing and enforcement of the County's Fair Housing Act, as well as 3/3.0 FTE grant positions. While HUD has announced a 5 percent reduction to their budget due to sequestration, HUD is obligated to reimburse the County for the number of investigations completed so there should be no impact to the County. However, there may be a reduction in funding received for education and outreach efforts. Less than \$5,000 in funding is typically provided for these activities; therefore, any decrease in funding is within the expected margin of year-to-year grant funding fluctuation.	NA	FY 2013
7	Department of Family Services	Head Start is a national child development program that serves income eligible families with very young children. Families served by Head Start receive assistance with child education and development, social and health services, and parent education. A 20 percent local cash match is required. A 5 percent reduction of approximately \$0.4 million is anticipated effective August 1, 2013 when the new program year begins. DFS is currently reviewing the program and looking at options to identify how to implement the reduction without compromising the quality of services delivered along with maintaining the number of children served. Staff will report back to the BOS after this review.	(\$400,000)	FY 2014
8	CSB	Anticipated cut of \$277,031 that is Federal Block Grant Funds passed through the state Department of Behavioral Health and Development Services would impact substance use disorder treatment in residential and outpatient settings, prevention programs, and adult mental health outpatient and case management programs.	(\$277,031)	FY 2014
9	Department of Finance	Anticipated reduction of 8.7 percent to Build America Bonds refundable credits is currently estimated to be approximately \$277,000.	(\$277,000)	FY 2014
10	HCD	Anticipated 5 percent reduction to Community Development Block Grant (CDBG) is currently estimated to be \$220,711. The impact to individual programs supported by CDBG will be determined once the final FY 2013 appropriation is approved. CDBG funding stimulates the development and preservation of affordable housing through the provision of loans, public facilities, and improvements directed toward conserving and upgrading low- and moderate-income neighborhoods. It also supports the provision of special outreach and assistance services to low- and moderate-income households. County initiatives supported by CDBG funding include activities such as the Consolidated Community Funding Pool (CCFP), Fair Housing Program implementation, Home Repair for the Elderly Program, Section 108 Loan repayments, Homeownership Assistance Program, Housing Program Relocation projects, as well as other rehabilitation and/or senior and disabled housing programs.	(\$220,711)	FY 2014

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11	HCD	<p>Anticipated 5 percent reduction to the Public Housing Projects Under Management program is estimated to be \$134,569. The Public Housing Projects Under Management program supports 1,065 public housing units that are owned and operated by the FCRHA. These properties serve low-income households throughout the County, and program operations are supported by tenant rental income as well as an operating subsidy from HUD to offset property management costs such as maintenance and operations. A reduction in the annual HUD Operating Subsidy impacts the agency's ability to properly fully support program operations. Once the final appropriation from HUD is received, a final analysis will be done to determine how much funding support may be needed from the program's fund balance to supplement annual operations in order to mitigate the impact of the sequestration reduction.</p>	(\$134,569)	TBD
12	DFS	<p>The Department of Family Services administers Aging Grants which includes federal funds granted to localities under the Older Americans Act and state funds from the Virginia Department for the Aging. With additional support from the County, these funds provide community-based services such as case management/consultation services, legal assistance, insurance counseling, transportation, information and referral, volunteer home services, home delivered meals, nutritional supplements and congregate meals. A 5 percent reduction of approximately \$134,007 is anticipated effective October 1, 2013 when the new program year begins.</p> <p>It is anticipated that there will be sufficient prior year grant balances to address this revenue loss in FY 2014. Additional funding may be required in FY 2015 and beyond if the County wants to maintain the current level of service delivery.</p>	(\$134,007)	FY 2014
13	HCD	<p>Anticipated 5 percent reduction to the HOME Investment Partnership Program (HOME) is currently estimated to be \$70,264. The impact to individual programs supported by HOME will be determined once the final FY 2013 appropriation is approved. HOME funding supports affordable housing through acquisition, rehabilitation, new construction and tenant-based rental assistance.</p>	(\$70,264)	FY 2014
14	Office of the Sheriff	<p>Potential 5 percent reduction to the State Criminal Alien Assistance Program (SCAAP) is currently estimated to be \$50,000.</p>	(\$50,000)	FY 2014
15	Office to Prevent and End Homelessness (OPEH)	<p>The Emergency Solutions Grant (ESG) funding must be used to support prevention and rapid re-housing activities through the housing relocation and stabilization services that are provided by the community case managers and the Housing Locators Program contracted through several nonprofit organizations. A 50 percent Local Cash Match is required. A 5 percent reduction of approximately \$24,000 is anticipated effective October 1, 2013 when the new program year begins.</p> <p>Prevention and rapid re-housing activities are supported through these grant funds as well as the General Fund. General Fund resources were not fully expended in FY 2012 and it is anticipated that they will not be fully expended in FY 2013; therefore, this reduction can be addressed within the General Fund without adversely impacting service delivery.</p>	(\$24,000)	FY 2014

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16	DFS	<p>Grant funding is provided by the U.S. Department of Health and Human Services Independent Living Initiatives Grant Program, through the Virginia Department of Social Services, to provide comprehensive services for older youth in foster care to develop skills necessary to live productive, self-sufficient and responsible adult lives. The program directly serves youth in foster care through the age of 20. An 8.8 percent reduction of approximately \$5,715 is anticipated effective June 1, 2013 when the new program year begins.</p> <p>This anticipated nominal decrease in funding is within the expected margin of year-to-year grant funding fluctuation.</p>	(\$5,715)	FY 2014
17	DFS	<p>Grant funding is provided by the U.S. Department of Health and Human Services through the Virginia Department of Social Services for the Promoting Safe and Stable Families Program in support of services designed to assist children and families resolve crises, connect with necessary and appropriate services, and remain safely together in their own homes whenever possible. A 15.5 percent Local Cash Match is required. An 8.8 percent reduction of approximately \$5,379 is anticipated effective June 1, 2013 when the new program year begins.</p> <p>This anticipated nominal decrease in funding is within the expected margin of year-to-year grant funding fluctuation.</p>	(\$5,379)	FY 2014
18	Health Department (HD)	<p>The U.S. Department of Agriculture (USDA), thru the Virginia Department of Health, provides Women, Infants and Children (WIC) grant funding to the County in support of food, nutrition education, and breastfeeding promotion for pregnant, postpartum, or breastfeeding women, infants, and children under age 5. Funding currently supports 49/49.0 FTE grant positions.</p> <p>Although the USDA has announced a 5 percent reduction to their budget due to sequestration, the Continuing Resolution approved in March 2013 provided additional WIC funds of 6 percent coupled with a separate 2 percent reduction. The net impact to the Virginia WIC program is a 1 percent reduction. It is anticipated that this reduction will be absorbed by the Virginia Department of Health; however if the County's WIC program does see a change in funding, it will be a nominal decrease and is within the expected margin of year-to-year grant funding fluctuation.</p>	TBD	FY 2014

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19	HD	<p>The U.S. Department of Health and Human Services, Administration for Children and Families, thru the Virginia Department of Health, provides grant funding for the Maternal, Infant, and Early Childhood Home Visiting (MIECHV) program in support of the Nurse-Family Partnership. This program is an evidence-based early childhood home visiting service delivery model that seeks to improve pregnancy outcomes, child health and development, and family economic self-sufficiency for low-income, first-time mothers. Funding currently supports 4/4.0 FTE grant positions.</p> <p>The Virginia Department of Health has been informed that there may be a 5.1 percent reduction; however, the Health Department indicated in the original grant application which was approved by the Board on October 30, 2012, that this program would continue after grant funding expired and no new General Fund resources would be requested. Therefore, if there is a reduction in grant funding, it will need to be addressed within the Health Department's existing General Fund budget.</p>	TBD	FY 2014
20	Department of Neighborhood and Community Services (DNCS)	Grant funding is provided by the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC) to support creation of healthier communities by building capacity to implement broad evidence- and practice-based policy, environmental, programmatic and infrastructure changes. Funding currently supports 3/3.0 FTE grant positions. Grant funding is anticipated to continue at current levels; however, if there is a loss of funding the program will be modified to operate within the federal funding award.	NA	FY 2014
21	Various	<p>Grant funding is provided by the Federal Emergency Management Agency (FEMA) to address the planning, organization, equipment, training, and exercise needs of high-threat, high-density urban areas, and assist in the building of enhanced and sustainable capacity to prevent, protect against, mitigate, respond to, and recover from acts of terrorism. Urban Areas Security Initiative (UASI) funding currently supports 5/5.0 FTE grant positions. The County recently submitted federal FY 2013 applications.</p> <p>FEMA has informed grantees of an anticipated 5 percent reduction to state and local UASI programs due to sequestration; however, the Continuing Resolution approved in March 2013 provided additional funding to UASI; therefore, the net impact is a potential 3 percent reduction. It is unknown at this time how the reductions will be implemented.</p> <p>The following agencies received UASI grant funding in FY 2013: Office of Emergency Management (OEM) Fire & Rescue Department (FRD) Police Department (PD) Health Department (HD) Department of Information Technology (DIT) Office of Public Affairs (OPA)</p>	TBD	FY 2014

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22	FRD	<p>Grant funding is provided by the U.S. Agency for International Development (USAID), Office of Foreign Disaster Assistance in support of a cooperative agreement to provide emergency urban search and rescue services for international disaster response. These funds enhance, support and maintain the readiness of the FRD's International Urban Search & Rescue Team, equipment cache, and medical supplies. Funding currently supports 3/3.0 FTE grant positions.</p> <p>USAID has informed grantees that current and/or future funding for international deployments may potentially be reduced or completely terminated; however, no details have been provided. Year 5 of the international cooperative agreement is anticipated to begin in FY 2014.</p>	TBD	FY 2014
23	FRD	<p>Grant funding is provided by the Federal Emergency Management Agency (FEMA) in support of a cooperative agreement to provide emergency urban search and rescue services for domestic disaster response. These funds enhance, support and maintain the readiness of the FRD's Urban Search & Rescue Team, equipment cache, and medical supplies. Funding currently supports 4/4.0 FTE grant positions.</p> <p>FEMA has informed the County that full funding of its domestic response cooperative agreement will be delayed two months until October 1, 2013. The FEMA program office has also directed teams to re-program current year funding to cover unanticipated salaries, leases, and other necessary expenses in anticipation of this late award. The County's reallocation plan for this award period is due to FEMA on May 17, 2013. Further, while the dollar impact of the potential reductions are currently unknown, total FY 2014 funding from FEMA for the domestic cooperative agreement was anticipated to be \$1.2 million.</p>	TBD	FY 2014
24	Juvenile Domestic Relations District Court (JDRDC)	<p>Grant funding is provided by the U.S. Department of Justice (DOJ) Office on Violence Against Women (OVW) for the Safe Havens program, which provides parents and children a safe and conflict-free environment to facilitate visitation. Funding currently supports 1/0.5 FTE grant position.</p> <p>This is a competitive grant award and it is anticipated that it will remain at the current funding level through September 30, 2014. However, the DOJ/OVW is facing a potential \$20 million cut that may impact future competitive grant opportunities. If additional funding is not awarded, local funding may be required in FY 2015 and beyond if the County wants to maintain the Safe Havens Supervised Visitation program.</p>	TBD	FY 2015
Potential total fiscal impact (excluding TBD's and NA's)			(\$4,282,951)	